

UAC INSURANCE MUTUAL

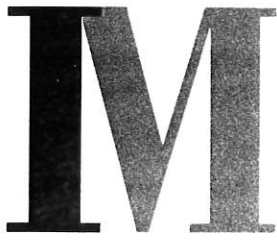
Board of Trustees Meeting

Thursday, July 10, 1997, 9:00 a.m.

Iron County Commission Chambers, 68 South 100 East, Parowan

A G E N D A

9:00	Call to Order	Gary Herbert
	Review of Board Members Absent	Gary Herbert
	Approval of June 13, 1997, Minutes	Gary Herbert
	Election of UACIM Treasurer	Gary Herbert
	Designation of Person Authorized to Appoint & Remove Agents	Brett Rich
	Signature on Bylaws	Gary Herbert
	Management Recommendations	Brent Gardner Brett Rich
	Broker's Report	John Chino
	Director's Report	Brett Rich
	Summary of May 1997 Financial Statements	Brett Rich
11:30	Lunch Break	
	Visiting Member Counties	Beaver, Garfield Iron Counties
	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
	Action on Litigation Matters	Kent Sundberg
	Quarterly Broker Evaluation	Gary Herbert
	Set Date and Time for Closed Meeting to Discuss the Character, Professional Competence, or Physical or Mental Health of an Individual	
	Other Business	Gary Herbert
1:00	Adjourn	



UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

UACIM BOARD OF TRUSTEES MEETING

MINUTES

July 10, 1997, 9:00 a.m., Iron County Courthouse, Parowan

BOARD MEMBERS PRESENT

Gary Herbert, *President*, Utah County Commissioner
Gerald Hess, *Vice President*, Davis County Deputy Attorney
Tony Dearden, Millard County Commissioner
Chad Johnson, Beaver County Commissioner
Ty Lewis, San Juan County Commissioner
Ed Phillips, Millard County Sheriff
Sarah Ann Skanchy, Cache County Council Member

BOARD MEMBERS ABSENT

Monte Munns, *Secretary*, Box Elder County Assessor-Treasurer
Curtis Dastrup, Duchesne County Commissioner

OTHERS PRESENT

David Yardley, Iron County Clerk
Dennis Stowell, Iron County Commissioner
Kent Sundberg, Chairman, Litigation Management Committee
Brent Gardner, UAC Executive Director
Brett Rich, Director, UACIM
Sonya White, Executive Assistant
John Chino, GRMS Account Executive

CALL TO ORDER

Gary Herbert called the meeting to order and welcomed those in attendance.

REVIEW OF BOARD MEMBERS ABSENT

Curtis Dastrup phoned the UACIM staff and requested that the Board excuse him from this meeting due to a conflicting Wild Lands Board meeting. Monte Munns phoned the UACIM staff and requested that the Board excuse him from this meeting, he will be in New York. Ann Skanchy made a motion to excuse Curtis and Monte from this meeting. Chad Johnson seconded the motion, which passed unanimously.

APPROVAL OF JUNE 1997, MINUTES

The minutes from the Board of Trustees meeting held on June 13, 1997 were previously sent to the Board Members for review. Ann Skanchy made a motion to approve the minutes as written. Tony Dearden seconded the motion, which passed unanimously.

ELECTION OF UACIM TREASURER

Gerald Hess made a motion to appoint Tony Dearden as Treasurer of the UACIM Board of Trustees and amend the Bylaws at the next membership meeting, to combine the office of Secretary and Treasurer. Ann Skanchy seconded the motion, which passed unanimously.

DESIGNATION OF PERSON AUTHORIZED TO APPOINT & REMOVE AGENTS

Brett Rich explained that on or before July 1 of every odd numbered year, UACIM is required to submit a list of agents that are appointed to act on behalf of the Mutual to the Insurance Department. Brett was unable to find where anyone had been authorized to make those appointments, so the UACIM President appointed the agents prior to the deadline. Ann Skanchy made a motion to ratify the UACIM President's authority to appoint and remove agents. Gerald Hess seconded the motion, which passed unanimously.

SIGNATURE ON BYLAWS

Brett Rich explained that the revised Bylaws were adopted at the April Membership meeting and recommended that they be signed by the UACIM President as matter of formality and approval. Ann Skanchy made a motion authorizing the UACIM President to sign the adopted revised Bylaws. Chad Johnson seconded the motion, which passed unanimously.

MANAGEMENT RECOMMENDATIONS

Brett Rich reviewed the following measures that have been implemented to comply with the *Letter to Management* dated May 23, 1997 from Squire & Company. 1) The Director shall review the monthly bank statements, reconciliation reports and transaction reports of all accounts and compare balances with the general ledger and previous monthly statements. The Director will initial those documents after review and provide a written report of any discrepancies to the Audit Committee. 2) The Director shall provide those documents mentioned in number one above to the Audit Committee at the end of each quarter for review. 3) All cash disbursements will be supported with appropriate documentation, be approved and be properly recorded. An authorized individual will indicate approval for payment by initialing the appropriate documentation. 4) Any check in the amount of \$10,000 or more for payment of claims or related expense shall be accompanied by an appropriately completed form approved for such purpose. Such form shall be signed by the claims administrator and initialed by UACIM staff indicating that the necessary funds are available.

DIRECTOR'S REPORT

Loss Control Manager Position Brett Rich explained that the Committee (Gerald Hess, Ed Phillips, Brent Gardner & Brett Rich), appointed by the Board to review the applications for the Loss Control Manager position, has reviewed each application and selected six of the most qualified individuals for an interview. Brett reviewed with the Board a summary of each individual's qualifications. Ed Phillips suggested that the Board might want to consider increasing the \$35,000 to \$50,000 advertised salary range. After reviewing the top applicants, the Board agreed to allow the Committee the flexibility, if necessary, to increase the salary range up to \$60,000.

Advisory Committee Brett explained that a notice has been sent to the Chair of each member's governing body requesting the appointment of someone to a UACIM Advisory Committee which will study the Mutual and develop a fact sheet listing coverages, services and advantages of the Mutual. Brett and John Chino have been working on the specifications and benefits to present to the Committee members. The Board directed Brett to invite non-member counties to also serve on the Committee.

Equity Plan Brett reviewed the following written explanation of the process used to determine member county's equity. *It is understood that the surplus in the UAC Insurance Mutual shall be attributable to members as equity. Equity in the Mutual shall be used to satisfy the surplus requirements of the Utah Insurance Code and any other applicable regulation and next to repay the debentures after which repayment equities may be available for distribution to members at the discretion of the Board of Trustees. Member equities in UACIM shall be calculated as follows. 1) The ratio of each member's contributions to the total contributions shall be computed for each fund year. 2) The member's contribution ratio shall be multiplied by the total surplus attributable to a fund year as stated in the monthly financial statement. Member's total equity will be the sum of the yearly amounts for each fund year for which that member was a participating member in UACIM. 3) In the event the surplus amount is a negative number, a member's equity will be decreased using the same method of calculation as above. 4) In the event of termination or withdrawal of membership, a member will lose and have no claim to any equity in UACIM. The equity formally attributed to that member for each fund year shall be redistributed to the remaining counties who were members during that fund year. The Board of Trustees, in its sole discretion, shall determine when and if equity is distributed.* The Board directed Brett to add language giving the Board instructions pertaining to absolute withdrawal for review at the next meeting.

AIG Audit Brett explained that, to date, UACIM has not received a report of the audit conducted by AIG on May 15-16, 1997. Brett is in the process of drafting a letter to accompany the invoice and the calculation report for the excess recoverable amount owed by AIG, as of June 30, 1997.

BROKER'S REPORT

John Chino explained that pursuant to the recent law change regarding bonding requirements, Gallagher would be able to have bonding coverage added to UACIM's excess program. Adding this coverage will increase UACIM's exposure to its self-insured retention. Gallagher can provide another option for the Board to consider, that is giving the member counties the option to apply for bonding at a premium of \$500 for a \$50,000 limit, or \$700 for a million dollar limit. For an additional \$50 to \$300 (depending on the number of public officials) a county can cover all its officials. Brett Rich explained that he also received a quote from the National Association of Counties Insurance Center. Their premium for a million-dollar limit is \$1,500 per county (no first dollar coverage). Ty Lewis made a motion to offer bonding coverage to the member counties through Gallagher Risk Management Services. Tony Dearden seconded the motion, which passed unanimously.

SUMMARY OF MAY 1997 FINANCIAL STATEMENTS

Brett Rich reviewed charts showing the total number of claims and total incurred comparison at 18 months and 30 months. Brett reviewed the month ending May 1997 financial statements with the Board explaining that fund years 1993, 1994 and 1995 are down in total incurred from the last few months. Brett explained the importance of the Claims Administrators closing or at least lowering reserves on claims that are settled. The financial statements must accurately reflect UACIM's losses. The Board reviewed the *Schedule of Income and Surplus* which shows the Mutual in the red \$120,000 in 1996 but in the black \$220,000 in 1997 due mainly to the new program.

VISITING MEMBER COUNTIES

The Board of Trustees invited the commissioners and insurance coordinators from Beaver, Garfield and Iron Counties to attend this meeting to discuss any questions and/or concerns relating to the Mutual. Iron County Commissioner, Dennis Stowell, thanked the Board for coming to Iron County and discussed the "heat" the Commission is receiving from the local insurance agents. Dennis explained that he was the mayor of Parowan when they switched insurance to Utah Local Governments Trust, so he has experience in this area. At the last Commission meeting, a motion was made to submit the County's insurance for bid in 1998 upon an evaluation of the programs. Iron County is looking forward to the Advisory Committee meetings in hopes that they may approve an evaluation and produce a fact sheet that will assist the governing body when confronted by local agents.

Gerald Hess explained that Davis County had an evaluation of insurance programs in 1996 and the consultant pointed out concerns with the UACIM program. In reviewing the 1997 UACIM program, the consultant stated that the majority of his concerns had been corrected. Gerald felt that it is difficult to get an unbiased evaluation from anyone in the insurance industry.

QUARTERLY BROKER EVALUATION

Pursuant to the brokerage agreement, the broker fee was established to include a base fee of \$85,000 and a performance fee up to \$20,000. Gallagher's performance was to be evaluated quarterly so the Board reviewed the *Performance Standards* for the first and second quarters. The Board agreed that Gallaghers adequately performed all their duties in the following areas:

1. Review, analyze and provide recommendations to UACIM regarding deductibles, self-insured retentions, loss funds, and program structures.
2. Bind coverage on behalf of UACIM as required.
3. Provide alternative quotations on ancillary coverages as requested by UACIM.
4. Act as representative of UACIM in matters relating to UACIM's excess insurance and/or reinsurance.
5. Assist in marketing the UACIM program to other Utah Counties.
6. Assist in the analysis and comparison of various proposals/quotations submitted to UACIM members by competing brokers.
7. Participate, when invited, in monthly UACIM Board of Trustees meetings.
8. Participate in all full membership meetings.
9. Review, analyze and respond to UACIM questions pertaining to coverage or servicing issues.
10. Return all phone calls within 24 hours.
11. Review policies, endorsements and certificates for accuracy. Request changes as needed.
12. Issue certificates of insurance, when necessary, within 24 hours of our receipt of the request.
13. Quote, bind and process bonds as needed.
14. Act as an intermediary, when requested, between the Utah Department of Insurance and the UACIM.
15. Assist the UACIM staff with members' concerns, questions or general service issues.

SET DATE AND TIME FOR CLOSED MEETING

Ty Lewis made a motion to set the date and time for a closed meeting to begin at 1:20 p.m. on July 10, 1997, to discuss pending or reasonably imminent litigation. Gerald Hess seconded the motion, which passed unanimously.

Chad Johnson made a motion to conclude the closed meeting at 1:40 p.m. on July 10, 1997. Ann Skanchy seconded the motion, which passed unanimously.

ACTION ON LITIGATION MATTERS

Ann Skanchy made a motion authorizing payment to a member county in the amount of \$43,360.68 on claim number 801UIN978066. Chad Johnson seconded the motion, which passed unanimously.

SET DATE AND TIME FOR CLOSED MEETING

Chad Johnson made a motion to set the date and time for a closed meeting to begin at 1:45 p.m. on July 10, 1997, to discuss the character, professional competence or physical or mental health of an individual. Ann Skanchy seconded the motion, which passed unanimously.

Ty Lewis made a motion to conclude the closed meeting at 2:10 p.m. on July 10, 1997. Chad Johnson seconded the motion, which passed unanimously.

OTHER BUSINESS

At the June 1997 Board meeting, each Board Member was assigned several counties to contact. Ann Skanchy and Tony Dearden made contact with their counties and had no questions or concerns from these counties for Board discussion. Sonya White reviewed those counties who had not returned some or all of the requested renewal information and signed interlocal agreement and resolution. The Board members assigned to those counties will contact them again requesting this information.

The next meeting of the Board of Trustees will be held Thursday, August 28, 1997, at 10:00 a.m. at the Emery County Courthouse, Castle Dale.

UAC INSURANCE MUTUAL

Board of Trustees Meeting

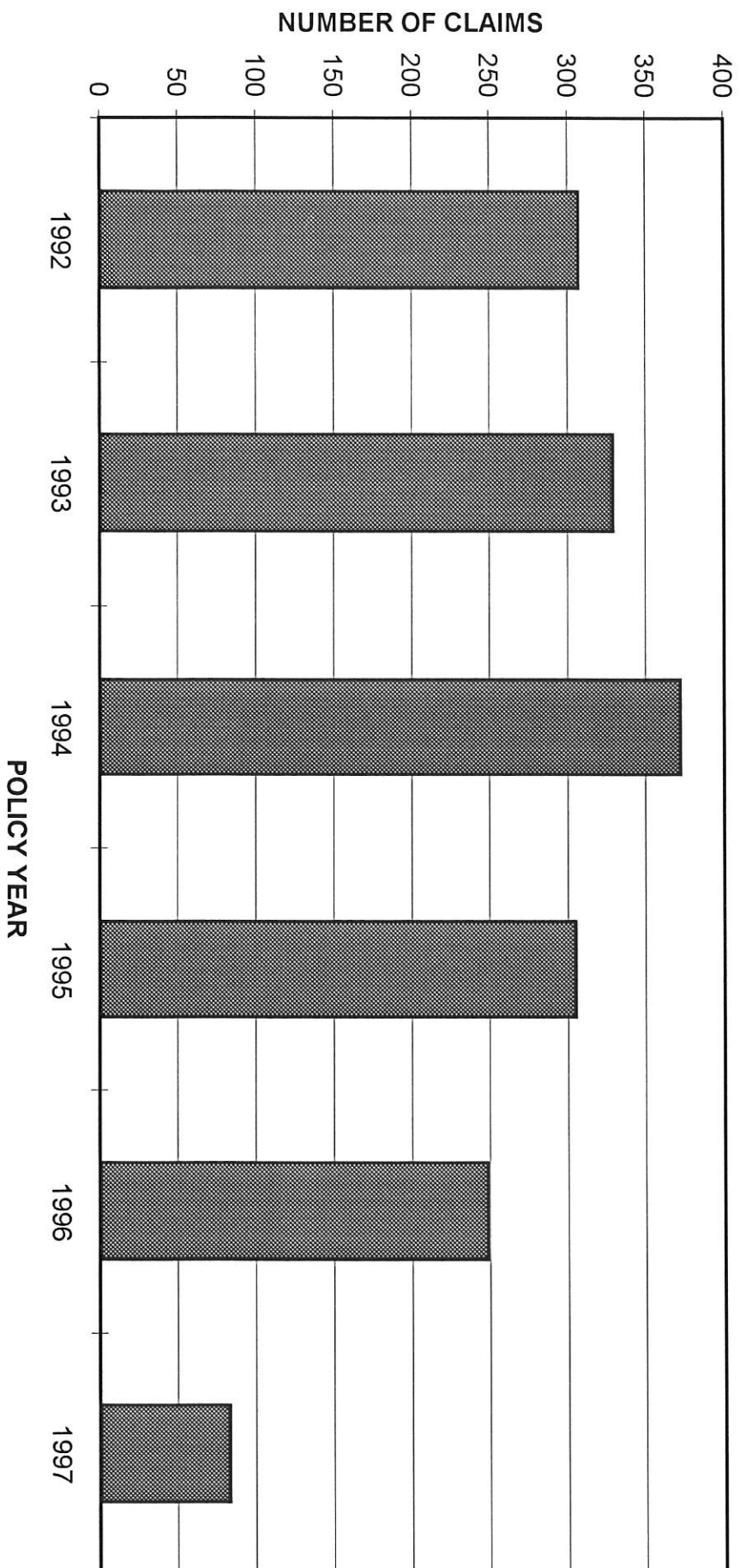
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	Other Business	Gary Herbert
1:00	Adjourn	

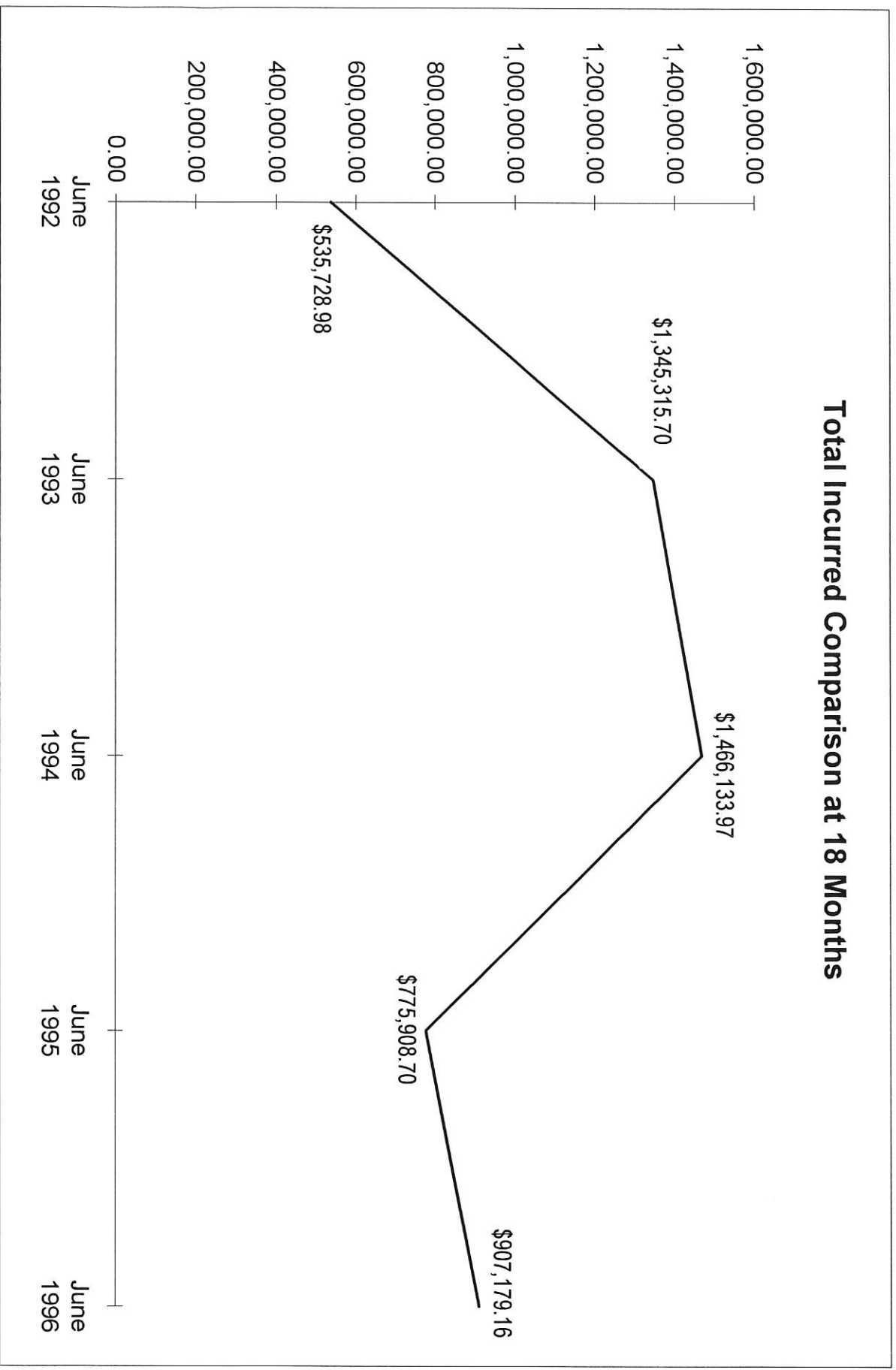
UAC INSURANCE MUTUAL



Number of Claims
as of June 1997

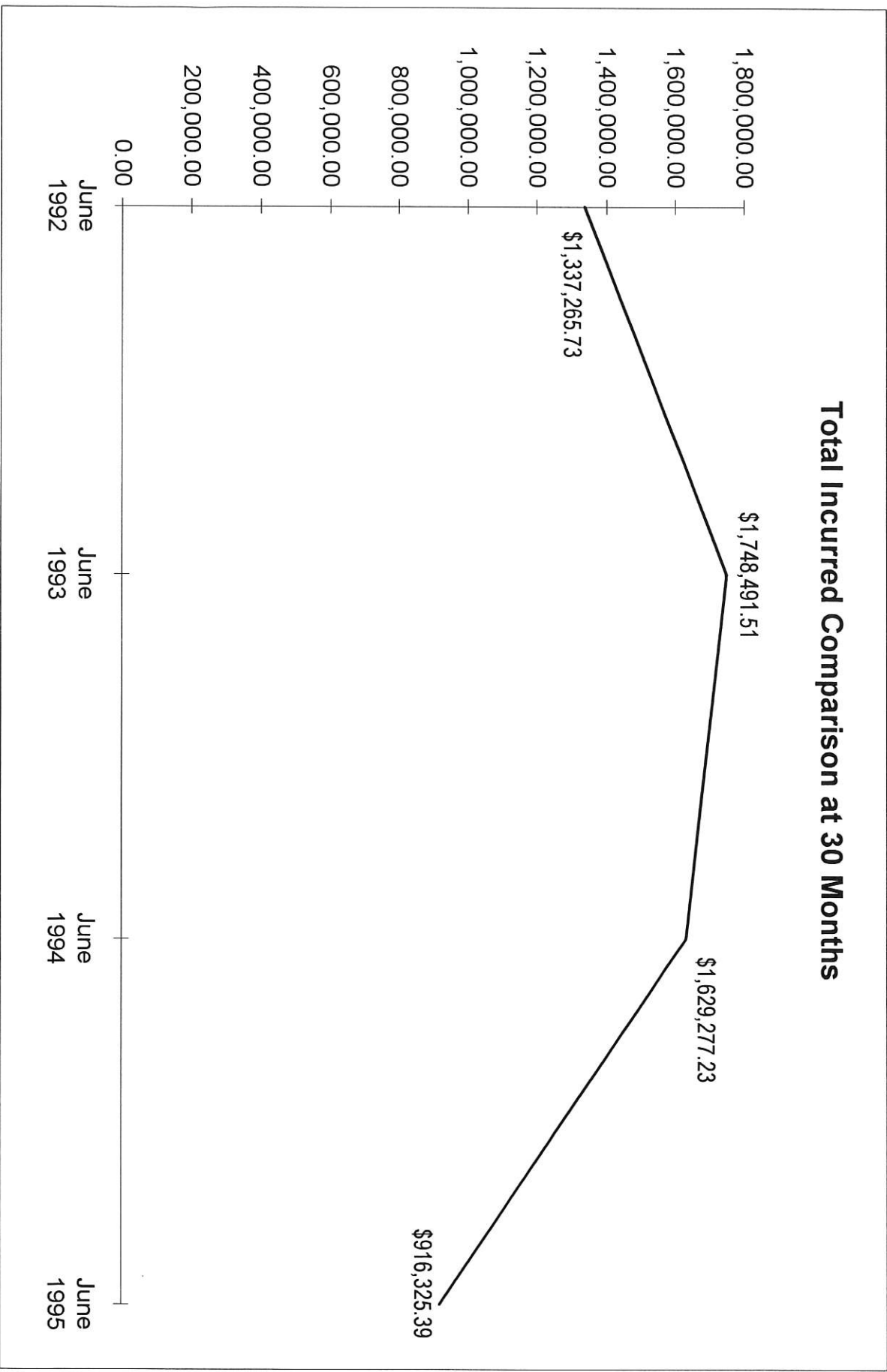
UAC Insurance Mutual

Total Incurred Comparison at 18 Months



UAC Insurance Mutual

Total Incurred Comparison at 30 Months



ARTHUR J. GALLAGHER & CO.
PERFORMANCE STANDARDS

1. Review, analyze and provide recommendations to UACIM regarding deductibles, self insured retentions, loss funds, and program structures.
2. Bind coverage on behalf of UACIM as required.
3. Provide alternative quotations on ancillary coverages as requested by UACIM.
4. Act as representative of UACIM in matters relating to UACIM's excess insurance and/or reinsurance.
5. Assist in marketing the UACIM program to other Utah Counties.
6. Assist in the analysis and comparison of various proposals/quotations submitted to UACIM members by competing brokers.
7. Participate, when invited, in monthly UACIM Board of Trustees meetings.
8. Participate in all full membership meetings.
9. Review, analyze, and respond to UACIM questions pertaining to coverage or servicing issues.
10. Return all phone calls within 24 hours.
11. Review policies, endorsements, and certificates for accuracy. Request changes as needed.
12. Issue certificates of insurance, when necessary, within 24 hours of our receipt of the request.
13. Quote, bind, and process bonds as needed.
14. Act as an intermediary, when requested, between the Utah Department of Insurance and The UACIM.
15. Assist the UACIM staff with members' concerns, questions, or general service issues.

MEMO

DATE: July 9, 1997

TO: UACIM Staff
McLarens Toplis

FROM: Brett Rich, Director

Pursuant to the direction of the Board of Trustees in the June 13, 1997, Board meeting, the following measures responding to the letter to management accompanying the financial audit for the year ending December 1996 performed by Squire & Company, shall be implemented immediately.

1. The Director shall review the monthly bank statements, reconciliation reports, and transaction reports of all accounts and compare balances with the general ledger and previous monthly statements. The Director will initial those documents after review and report any discrepancies to the Audit Committee.
2. The Director shall provide those documents mentioned in number one above to the Audit Committee at the end of each quarter for review.
3. All cash disbursements will be supported with appropriate documentation, be approved, and be properly recorded. An authorized individual will indicate approval for payment by initialing the appropriate documentation.
4. Any check in the amount of \$10,000 or more for payment of claims or related expense shall be accompanied by an appropriately completed form approved for such purpose. Such form shall be signed by the claims administrator and initialed by UACIM staff indicating that the necessary funds are available.

AFFIDAVIT OF GARY R. HERBERT

STATE OF UTAH)

COUNTY OF ~~SALT LAKE~~ Utah :ss

Gary R. Herbert, being duly sworn upon oath, deposes and says:

1. That the affiant has personal knowledge of the matters hereinafter referred to in this Affidavit.
2. That the Affiant, on or about the 10th day of July, 1997, presided over a meeting of the Utah Association of Counties Insurance Mutual Board of Trustees, an open and public meeting within the provisions of Chapter 4, Title 52, Utah Code Annotated, 1953, as amended.
3. That a quorum of the Utah Association of Counties Insurance Mutual Board of Trustees was present and at least two-thirds of the members present, voted to close the meeting pursuant to the provisions of Section 52-4-4, Utah Code Annotated, 1953, as amended, for the purpose of discussing the character, professional competence, or physical or mental health of an individual.
4. That the affiant was present throughout the meeting and, pursuant to the provisions of Section 52-4-7.5, the affiant does hereby affirm that the sole purpose for closing the meeting was to discuss the character, professional competence, or physical or mental health of an individual or individuals.

FURTHER, Affiant saith not.

DATED this 25th day of August, 1997.



GARY R. HERBERT, President
Utah Association of Counties Insurance Mutual

On the 25th day of August 1997, personally appeared before me Gary R. Herbert, who, after being by me duly sworn, deposed and said that the information contained in the above and foregoing Affidavit is true and correct.



NOTARY PUBLIC

Residing at:

Provo, Utah

My Commission Expires:

5-19-99

